~~M.D.T.E. # 286~~

~~COLONIAL GAS COMPANY~~
~~LOWELLDIVISION~~

~~LOCAL DISTRIBUTION ADJUSTMENT CLAUSE~~

~~Section~~

# KeySpan Energy Delivery New England
# Local Distribution
# Adjustment Clause

**Section**



## 6.01 Purpose

The purpose of the Local Distribution Adjustment Clause ("LDAC") is to establish a procedure that allows Boston Gas Company, Essex Gas Company and Colonial Gas Company, all d/b/a KeySpan Energy Delivery New England ("Company"), subject to the jurisdiction of the Department of Telecommunications and Energy ("Department") to adjust, on an annual basis, its rates to recover costs associated with Transition Costs, Demand Side Management programs and related working capital, Environmental Response Costs associated with manufactured gas plants, Pension costs and Post-Retirement Benefits Other than Pensions, Exogenous Costs allowed in accordance with the terms of the rate plan approved in Eastern/Colonial Acquisition, D.T.E. 98-128 (1999) , Unbundling costs associated with the Massachusetts Gas Unbundling Collaborative, and to credit to all core ratepayers with the Economic Benefit associated with interruptible transportation service that is not included in the base rates as determined in Boston Gas Company's, Essex Gas Company's and Colonial Gas Company's last respective rate cases, and to credit, balancing penalty revenues to all firm customers.

## 6.02 Applicability

The LDAC applies to all tariffed throughput volumes on the Company's system, except as otherwise designated herein. See Section 6.16, "Other Rules".

## 6.03 Demand Side Management CostsAllowable for LDAC

All costs as defined and approved by the Department, including: (1) Demand Side Management Program and Market Transformation Costs; (2) Demand Side Management and Market Transformation Lost Margins, (3) Demand Side Management Incentives (4) Working Capital allowances for DSM costs and (5) the Reconciliation Adjustment associated with over or under recoveries of allowable DSM costs billed in prior periods.

## 6.04 Environmental Response Costs Allowable for LDAC

~~6.05 FERC Order 636 Transition Costs Allowable for LDAC~~
~~6.06 Unbundling Costs Allowable for LDAC~~
~~6.07 Exogenous Costs Allowable for LDAC~~
~~6.08 Definitions~~
~~6.09 Formulas~~
~~6.10 Reconciliation Adjustments~~
~~6.11 Effective Date of Local Distribution Adjustment Factor~~
~~6.12 Application of LDAF to Bills~~
~~6.13 Information to be Filed with the Department~~
~~6.14 Other Rules~~
~~6.15 Customer Notification~~

~~6.01: Purpose~~

~~The Local Distribution Adjustment Clause ("LDAC") establishes the procedures that allow The Colonial Gas Company ("Company"), subject to the jurisdiction of the Department of Telecommunications and Energy ("Department"), to adjust on a semi-annual basis, its rates to recover Demand Side Management ("DSM") costs, environmental response costs, FERC Order 636 transition costs, costs incurred by the Company as a result of its participation in the Massachusetts Gas Unbundling Collaborative, and exogenous costs allowed in accordance with the terms of the Company's Rate Plan approved in Eastern /Colonial Acquisition, D.T.E. 98-128 (1999), and to return to firm ratepayers balancing penalties and a portion of non-firm margins allocated to firm distribution services. Any costs recovered through the application of this LDAC shall be identified and explained in the Company's annual filing as outlined in Section 6.13.~~

~~6.02: Applicability~~

~~This LDAC shall be applicable to all of the Company's firm Customers. As stated in Section 6.14, the application of the clause may, for good cause shown, be modified by the Department.~~

~~6.03: DSM Costs Allowable for LDAC~~

~~(A) Purpose~~

~~This provision establishes the procedures that allow the Company, subject to the jurisdiction of the Department, to adjust on an annual basis, the Conservation Charge to recover from firm ratepayers DSM Program Costs and associated expenditures.~~

~~(B) Applicability~~

~~The Conservation Charge shall be applied to firm throughput of the Company, subject to the jurisdiction of the Department, as determined in accordance with the provisions of this rate schedule.~~

~~Conservation Charge shall be determined annually by the Company separately for each Rate Category subject to review and approval by the Department. The Conservation Charge shall be incorporated within the calculation of the LDAF for each Rate Category as set forth in Section 6.09.~~

~~(C) Calculation of Conservation Charges~~

~~The Company will determine the amount of Conservation Expenditures for each Rate Category subject to this rate schedule to be collected over the twelve-month period commencing November 1st of each year. The total of such Conservation Expenditures plus any prior period Reconciling Adjustment plus Lost Margins plus Incentives shall be divided by each rate categories firm throughput as forecast by the Company for the same annual period. The resulting Conservation Charge shall be incorporated within the calculation of the LDAF's applied to firm Customers during each such twelve-month period commencing with the Peak Season.~~

~~6.04: Environmental Response Costs Allowable for LDAC~~

All environmental response costs associated with manufactured gas plants, adjusted for deferred tax benefits, and one half of the expenses incurred by ~~the~~Boston Gas Company, Essex Gas Company and Colonial Gas Company, respectively, in pursuing insurance and third party claims, less one half of ~~any~~the recoveries received by ~~the~~Boston Gas Company, Essex Gas Company and Colonial Gas Company, respectively, as a result of such~~claims. Any insurance orthird party recoveries to be passed back to ratepayers through the clause will be net of any insurance or third party expenses not collected from ratepayers.~~

~~The total annual charge to the Company's ratepayers for Environmental Response Costs during any Remediation Cost Recovery Year shall not exceed five (5) percent of the Company's total revenues from firm gas sales during the preceding calendar year. If this limitation results in the Company recovering less than the amount that would otherwise be recovered in a particular Remediation Cost Recovery Year, then beginning with the date upon which the annual charge would have been effective, carrying costs shall accrue to the Company upon the unrecovered portion of the Remediation costs that otherwise would have been allowable. Carrying costs shall accrue though the Remediation Cost Recovery Year in which such amount, together with any accumulated carrying costs, is actually recovered by the Company from its ratepayers and shall accrue at the pre-tax weighted cost of capital rate as defined in Section 6.08.~~

~~6.05: FERC Order 636 Transition Costs Allowable for LDAC~~

~~All costs as defined and approved by the FERC, other than those transition costs pertaining to Account No. 191, including: (1) gas supply realignment or GSR costs; (2) stranded costs; and (3) new facilities costs,~~claims may be included in the LDAC.

## ~~6.06:~~**6.05** Unbundling Costs Allowable for LDAC

All costs associated with the Company's participation in the Massachusetts Gas Unbundling Collaborative, including but not limited to any legal, consulting, materials, customer education/advertising, and facilities expenses, may be included in the LDAC as approved by the Department.

## 6.06 Pension Costs and Post-Retirement Benefits Other Than Pensions Allowable for the LDAC

All costs associated with pensions and post-retirement benefits other than pensions ("PBOPs") and the reconciliation of pension and PBOP expense amounts included in Boston Gas Company's distribution rates with the total expense amounts booked by Boston Gas Company pursuant to FAS 87 and FAS 106 may be included in the LDAC as approved by the Department

## ~~6.07~~~~Exogenous~~6.07 FERC Order 636 Transition Costs Allowable for LDAC

All costs as defined and approved by the FERC, other than those transition costs pertaining to Account No. 191, including: (1) gas supply realignment or GSR costs; (2) stranded costs; and (3) new facilities costs, may be included in the LDAC.

## 6.08 Exogenous Costs Allowable for LDAC

Any individual cost change beyond the Company's control that exceeds $250,000 in a particular year, in accordance with the Rate Plan for Colonial Gas Company, approved in Eastern/Colonial Acquisition, D.T.E. 98-128, at 55-56 (1999), may be included in the LDAC as approved by the Department~~.~~

~~6.08: Definitions~~

~~The following terms shall be as defined in this section, unless the context requires otherwise:~~

~~(1) Peak Season is the winter heating season as designated by each company and approved by the Department.~~

~~(2) Off-Peak Season is the complementary summer season as designated by each company.~~

~~(3) Rate Category is a group of customer classes as designated by each company (i.e. - residential or commercial and industrial "C&I").~~

~~(4) Total Throughput (T:Thru) is the forecasted firm throughput volumes in Ccf's for twelve consecutive months November to October, inclusive.~~

~~(5) Number of Days Lag (DL) is the number of days lag to calculate the working capital requirement as approved by the Department.~~

~~(6) Tax Rate (TR) is the combined state and federal income tax rate.~~

~~(7) Weighted Cost of Capital is the weighted cost of capital as set in the Company's most recent rate case.~~

~~(8) Cost of Debt (CD) is the weighted cost of debt as set in the Company's most recent rate case.~~

~~(9) Cost of Equity (CE) is the weighted cost of equity as set in the Company's most recent rate case.~~

~~(10) DSM Program Costs (DSM) are Demand Side Management program costs as approved by the Department.~~

~~(11) DSM Lost Margins (LM) are margins lost as a result of the implementation of DSM measures, calculated by identifying total volumes of gas saved as a result of DSM measures, times the margin that would have been earned on these volumes.~~

~~(12) Conservation Charge (CC) is the allowable per-unit collection rate derived from the DSM Program costs.~~

~~(13) DSM Residential Reconciliation (DSMr) is the balance in [account 175.40] and DSM C & I Reconciliation (DSMci) is the balance in [account 175.50] as outlined in Section 6.10.~~

~~(14) Environmental Response Costs (ERC) shall include all costs of investigation, testing, remediation, litigation expenses, and other liabilities relating to manufactured gas plant sites, disposal sites, or other sites onto which material may have migrated, as a result of the operating or decommissioning of Massachusetts gas manufacturing facilities.~~

~~(15) Exogenous Costs (EC) shall include any individual cost change beyond the Company's control that exceeds $250,000 in a particular year, consistent with the Company's Rate Plan approved by the Department in D.T.E. 98-128.~~

~~(16)Exogenous Cost Reconciliation Adjustment (ECR) is the balance in Account 175.96 as outlined in Section 6.10.~~

~~(17) Unamortized Environmental Response Costs (UERC) are the portion of the environmental response costs approved for recovery but not yet included in any LDAC recovery calculation.~~

~~(18) Deferred Tax Benefit (DTB) shall be the unamortized portion of actual environmental response costs multiplied by the effective statutory federal and state income tax rate and by the Company's tax adjusted cost of capital as approved in its last rate proceeding.~~

~~(19) Expenses (E) and Recoveries (R) associated with insurance and third-party claims shall include fifty percent of the expenses incurred and fifty percent of any net recoveries or other benefits received by the company as a result of such claims. Any insurance or third party recoveries to be passed back to ratepayers through the LDAC will be net of any insurance or third party expenses not collected from ratepayers.~~

~~(20) Remediation Adjustment Clause Reconciliation Adjustment (Rrac) is the balance in account 175.30 as outlined in Section 6.10.~~

~~(21) Transition Costs (TC) are costs incurred by pipelines as a result of the restructuring of their operations and services in compliance with FERC Order 636 as defined by FERC including: 1) gas supply realignment or GSR costs; 2) stranded costs; and, 3) new facilities costs.~~

~~(22) Transition Costs Reconciliation Adjustment (TCR) is the balance in Account 175.80 as outlined in Section 6.10.~~

~~(23) Transition Cost Working Capital Requirement (TCWCreq) is the allowable working capital derived from FERC Order 636 Transition Costs.~~

~~(24) Transition Cost Working Capital Allowance (TCWC) is the allowable working capital cost per-unit collection rate derived from the Transition Cost Working Capital Requirement.~~

~~(25) Transition Cost Working Capital Reconciliation Adjustment (TCWCR) is the balance in account 175.90 as outlined in Section 6.10.~~

~~(26) Unbundling Costs (UC) are all costs associated with the Company's participation in the Massachusetts Gas Unbundling Collaborative, including but not limited to any legal, consulting, materials, customer education/advertising, and facilities expenses as approved by the Department.~~

~~(27) Unbundling Cost Reconciliation Adjustment (UCR) is the balance in [account 175.91] as outlined in Section 6.10.~~

~~(28) Balancing Penalties (BP) are the penalty revenues collected by the Company in accordance with its Terms and Conditions.~~

~~(29) Economic Benefit is the difference between the revenue and the marginal cost determined to provide non-firm distribution service.~~

~~(30) Threshold Level is a level based on a historical twelve-month period ending April 30 of each year.~~

~~(31) Non-firm Distribution Margin (NFM) is the economic benefit derived from the provision of non-firm distribution services. If the total credit exceeds the Threshold Level, then only seventy-five (75) percent of the credit earned in excess of the Threshold Level will be credited as established in DPU 93-141-A.~~

~~(32) Non-Firm Distribution Reconciliation (NFMR) is the balance in Account 175.42 as outlined in Section 6.10.~~

~~6.09: Formulas~~

~~(A) Local Distribution Adjustment Factor ("LDAF")~~

~~The semi-annual LDAF per Ccf shall comprise a Rate Category specific Conservation Charge ("CC"), the Remediation Adjustment Factor ("RAF"), the Transition Cost Factor ("TCF"), the Unbundling Charge Factor ("UCF"), Exogenous Cost Factor (ECF), the Balancing Penalty Credit Factor ("BPCF"), and the Annual Non-Firm Distribution Credit Factor ("NFCF"), calculated according to the following formula:~~

~~LDAF = CC + RAF + TCF + UCF + ECF - BPCF - NFCF~~

~~(B) Conservation Charge Factor~~

~~The DSM Factor for residential customers (DSMr) shall be calculated at the beginning of each Season according to the following formula:~~

~~DSMr = (PCr + LMr + Rr) / R:Vol~~

~~where:~~

~~PCr: DSM program costs for residential customers.~~

~~LMr: DSM lost margins from residential customers as defined in Section 6.08.~~

~~Rr: DSM residential reconciliation adjustment - Account 175.40 balance, inclusive of the associated Account 175.40 interest, as outlined in Section 6.08.~~

~~R:Vol: Forecasted residential annual throughput volumes to which the DSMr applies.~~

~~The DSM Factor for commercial and industrial customers (DSMci) shall be calculated at the beginning of each season according to the following formula:~~

~~DSMci = (PCci + LMci + Rci) / CI: Vol~~

~~Where:~~

~~PCci: DSM program costs for commercial and industrial customers.~~

~~LMci: DSM lost margins from commercial and industrial customers as defined in Section 6.08.~~

~~Rci: DSM C&I reconciliation adjustment - Account 175.50 balance, inclusive of the associated Account 175.50 interest, as outlined in Section 6.08.~~

~~CI:Vol: Forecasted C&I annual throughput volumes to which DSMci applies.~~

~~(C) Remediation Adjustment Factor~~

~~The RAF consists of one-seventh of the actual Environmental Response Costs incurred by the company in any calendar year for each year until fully amortized, less a deferred tax benefit, plus one-half of insurance and third-party expenses for the calendar year, less one-half of the insurance and third-party recoveries for the calendar year, plus the prior year's RAF reconciliation adjustment. This amount is then divided by the Company's forecast of total firm throughput volumes for the upcoming year.~~

~~The Deferred Tax Benefit is calculated by applying the Effective Tax Rate to the Company's Unamortized Environmental Response Costs to arrive at the deferred tax. The deferred tax is then multiplied by the Tax Adjusted Cost of Capital to arrive at the Deferred Tax Benefit.~~

~~The RAF shall be calculated according to the following formula:~~

$$\cancel{RAF = \frac{\text{Sum}(ERC / 7) - DTB + ((IE - IR)*0.5) + Rrac}{T:Thru}}$$

~~where:~~

$$\cancel{DTB = UERC * TR *(CD + (CE / (1-TR)))}$$

~~(D) Transition Cost Factor~~

~~The TCF shall be calculated according to the following formula:~~

$$\cancel{TCF = \frac{TC + TCR}{T:Thru} + TCWC}$$

~~where:~~

$$\cancel{TCWC = \frac{TCWCreq * (CD + (CE / (1-TR)))) + TCWCR}{T:Thru}}$$

$$\cancel{TCWCreq = TC * (DL / 365)}$$

~~(E) Unbundling Charge Factor~~

~~The UCF shall be calculated according to the following formula:~~

~~UC + UCR~~
~~UCF = ---------------~~
~~T:Thru~~

~~(F)Exogenous Cost Factor~~

~~The ECF shall be calculated according to the following formula:~~

~~**EC**~~
~~**ECF.=.--------------- + ECR**~~
~~**T:Thru**~~

~~(G) Balancing Penalty Credit Factor~~

~~The BPCF shall be calculated according to the following formula:~~

~~BP~~
~~BPCF = ---------------~~
~~T:Thru~~

~~(H) Annual Non-Firm Distribution Credit Factor~~

~~The NFCF shall be calculated according to the following formula:~~

~~NFM~~
~~NFCF = ----------- + NFMR~~
~~T:Thru~~

~~6.10: Reconciliation Adjustments~~

~~(A) DSM~~

~~[Account 175.40] shall contain the accumulated difference between DSMr revenues toward DSMr costs as calculated by multiplying the DSMr times monthly residential volumes and DSM costs allowable per formula. [Account 175.50] shall contain the accumulated difference between DSMci revenues toward DSMci costs as calculated by multiplying the DSMci times monthly commercial and industrial volumes and DSM costs allowable per formula. Interest shall be calculated on the average monthly balance of the DSM accounts using The BankBoston prime lending rate, then added to each end-of-month balance. The residential DSM reconciliation adjustment shall be taken as the [Account 175.40] balance as of a reconciliation date as designated by Colonial. The commercial and industrial DSM~~

~~reconciliation adjustment shall be taken as the [Account 175.50] balance as of a reconciliation date as designated by Colonial.~~

~~(B) Environmental Response Cost~~

~~Account 175.30 shall contain the accumulated difference between the revenues toward Environmental Response Costs as calculated by multiplying the RAF times monthly firm throughput volumes and environmental response costs allowable per formula. A RAF Reconciliation Adjustment shall be taken as the Account 175.30 balance as of a reconciliation date designated by the Company.~~

~~(C) Transition Costs~~

~~Account 175.80 shall contain the accumulated difference between the revenues toward transition costs as calculated by multiplying the transition cost factor times monthly firm throughput volumes and transition costs allowed. The Transition Cost Reconciliation Adjustment shall be taken as the Account~~

**6.09 Effective Date of Local Distribution Adjustment Factor**

The date on which the annual Local Distribution Adjustment Factors ("LDAF") become effective will be the first day of the annual period designated by the Company. Unless otherwise required by the Department, the Company shall submit LDAF filings as outlined in Section 6.15 of this clause at least 45 days before they are to take effect and Remediation Adjustment Clause (“RAC”) filings at least 90 days before they are to take effect.

**6.10 Definitions**

As used herein, the terms set forth below are defined as follows:

(1) Number of Days Lag is the number of days lag to calculate the working capital requirements for LDAC allowable expenses as approved by the Department.

(2) NonFirm Transportation Credit is the Economic Benefit derived from interruptible transportation not included in base rates, to be allocated to total firm throughput.

(3) Economic Benefit is the difference between the revenue from and the marginal cost determined to provide interruptible transportation.

(4) Tax Rate is the combined state and federal income tax rate.

(5) Weighted Cost of Capital is the weighted cost of capital as set in Boston Gas Company's most recent base rate case.

(6) Cost of Debt is the weighted cost of debt as set in Boston Gas Company's most recent base rate case.

(7) Cost of Equity is the weighted cost of equity as set in Boston Gas Company's most recent base rate case.

(8) Environmental Response Costs includes all costs of investigation, testing, remediation, litigation expenses, and other liabilities relating to manufactured gas plant sites, disposal sites, or other sites onto which material may have migrated, as a result of the operating or decommissioning of Massachusetts gas manufacturing facilities.

(9) Deferred Tax Benefit is the unamortized portion of actual Environmental Response Costs multiplied by the effective statutory federal and state income tax rate and by the Company's tax adjusted cost of capital as defined in Section 6.10.

(10) Expenses and recoveries associated with insurance and third-party claims shall include fifty percent of the expenses incurred and fifty percent of any net recoveries or other benefits received by the Company as a result of such claims.

(11) DSM Program Costs are Demand Side Management program costs as approved by the Department.

(12) DSM Incentive Costs are incentives earned by the Company and approved by the Department.

(13) DSM Lost Margins are margins lost as a result of the implementation of DSM measures, calculated by identifying total volumes of gas saved as a result of DSM measures, times the margin that would have been earned on those volumes less any avoided costs.

(14) Annual Period Reconciliation Date for the Company will be coincident to the next annual period LDAF filing, 45 days prior to the next annual period effective date.

(15) Transition Costs are costs associated with the implementation of FERC Order 636 including (1) gas supply realignment or GSR costs, (2) stranded costs and (3) new facilities costs.

(16) Nonfirm Transportation Capacity Credits are the benefits derived from nonfirm transportation services that are not included in base rates.

(17) Unbundling Costs (UC) are all costs associated with the Company's participation in the Massachusetts Gas Unbundling Collaborative, including but not limited to any legal, consulting, materials, customer education/advertising, and facilities expenses as approved by the Department.

(18) Balancing Penalties are penalties charged to transportation customers and third pary gas suppliers for over or under deliveries on the Company's gas system.

(19) Pension Costs are all costs associated with Boston Gas Company's Pension Plans as determined by the SFAS-87 each year, and as approved by the Department in Boston Gas Company's most recent test-year.

(20) Post Retirement Benefits Other Than Pensions are the costs associated with PBOP as determined by SFAS-106 and as approved by the Department, and the PBOP transition obligation amortized over ten years.

(21) Pension Plan is a Qualified Pension Plan, as defined by ERISA.

(22) Post Retirement Plan Other Than Pension Plan is a Qualified PBOP, as defined by ERISA.

(23) ERISA is the Employee Information Retirement Income Security Act of 1974, as amended from time to time.

(24) Pre-Paid Amount is the difference between: (1) the actual cash contributions to the Pension Plan and the PBOP Plan and (2) the expense amounts recognized in accordance with FAS 87 and FAS 106

(25) Prior Year is the calendar year previous to the effective date of a proposed Pension and PBOP Reconciliation Adjustment Factor.

(26) Reconciliation Deferral is the difference between: (1) the total pension and PBOP expense amounts included in Boston Gas Company's base rates; and (2) the total expense amounts booked by Boston Gas Company in the Prior Year in accordance with the requirements of FAS 87 and FAS 106.

(27) Exogenous Costs (EC) shall include any individual cost change beyond the Company's control that exceeds $250,000 in a particular year, consistent with the Rate Plan approved by the Department in D.T.E. 98-128.

**6.11 Local Distribution Adjustment Factor Formulae**

The Annual LDAF shall be comprised of an annual Sector Specific Demand Side Management Factor (DSMF), a Low Income Demand Side Management Factor (LIDSMF), a Transition Cost Factor (TCF), a NonFirm Transportation Capacity Credit (NFTF), a Balancing Penalty Credit Factor () (BPCF), a Remediation Adjustment Factor (RAF), an Unbunbling Cost Factor (UCF), an Exogenous Cost Factor/Lost Margin (ECLMF) and a Pension and Pension Benefits Other than Pensions Reconciliation Adjustment Factor (PRAF) calculated at the beginning of the annual season according to the following formulae:

LDAF Formula Applicable to Rate Tariffs M.D.T.E. Nos. 101-199

$$LDAF = DSMFi + LIDSMF + TCF + NFTF + BPCF + RAF_w + UCF + PRAF$$

LDAF Formula Applicable to Rate Tariffs M.D.T.E. Nos. 201-299

$$LDAF = DSMFi + LIDSMF + TCF + NFTF + BPCF + RAFx + UCF$$

LDAF Formula Applicable to Rate Tariffs M.D.T.E. Nos. 301-399

$$LDAF = DSMFi + LIDSMF + TCF + NFTF + BPCF + RAFy + UCF + ECLMFy$$

LDAF Formula Applicable to Rate Tariffs M.D.T.E. Nos. 401-499

$$LDAF = DSMFi + LIDSMF + TCF + NFTF + BPCF + UCF + ECLMFz$$

**Sector Specific Demand-Side Management Factor (DSMFi) Formulae**

$$DSMFi \quad \frac{DSMi + DSMRAi + DSMINi + DSMWCFi}{A{:}TPvoli}$$

and:

$$DSMWCFi = \frac{\dfrac{(DSMWCAi * CC) - (DSMWCAi * CD)}{(1 - TR)} + (DSMWCAi * CD) + DSMWCRi}{A{:}TPvoli}$$

and:

DSMWCAi = (DSMi) * (DL/365)

**Where:**

i: The residential or commercial/industrial sector

DSMi: Demand Side Management programs designed to conserve load annually in the residential and commercial/industrial sector

DSMRAi: Annual DSM Reconciliation Adjustment - Account 175.22 and 175.26 balances, inclusive of the associated interest, as outlined in Section 6.12

DSMINi: Demand Side Management incentives for the residential and commercial/industrial sector

DSMWCF: Working Capital allowed per billed annual throughput volumes associated with DSM Charges allocated annually as defined in Section 6.13

DSMWCA: Charges allowable for working capital allocation as defined in Section 6.13

DSMWCR: Working Capital reconciliation adjustment associated with annual DSM charges - Account 142.22 and 142.26 balances as outlined in Section 6.13

A:Tpvoli: Annual Throughput volumes for residential or commercial/industrial sector

**Low Income Demand-Side Management Factor (LIDSMF) Formulae**

$$LIDSMF = \frac{LIDSM + LIDSMRA + LIDSMIN + LIDSMWCF}{A{:}TPvol}$$

and:

$$LIDSMWCF = \frac{\frac{(LIDSMWCA * CC) - (LIDSMWCA * CD)}{(1 - TR)} + (LIDSMWCA * CD) + LIDSMWCR}{A{:}TPvol}$$

and:

LIDSMWCA = (LIDSM) * (DL/365)

**Where:**

LIDSM: Demand Side Management programs designed to conserve load annually available to qualifying Low Income Residential Customers

LIDSMRA: Annual LIDSM Reconciliation Adjustment - Account 175.31 balance, inclusive of the associated interest, as outlined in Section 6.12

LIDSMIN: Demand Side Management incentives for the low income sector

LIDSMWCF: Working Capital allowed per billed annual throughput volumes associated with LIDSM Charges allocated annually as defined in Section 6.13

LIDSMWCA: Charges allowable for working capital allocation as defined in Section 6.13

LIDSMWCR: Working Capital reconciliation adjustment associated with annual LIDSM charges - Account 142.22 balance as outlined in Section 6.13

A:TPvol: Annual forecasted throughput volumes inclusive of all sales and transportation throughput.

**Transition Cost Factor (TCF)Formulae**

$$TCF = \frac{TC + RAtc + WCFtc}{A:TPvol}$$

and:

$$WCFtc = \frac{\frac{(WCAtc * CC) - (WCAtc * CD)}{(1 - TR)} + (WCAtc * CD) + WCRtc}{A:TPvol}$$

and:

$$WCAtc = TC * (DL/365)$$

**Where:**

TC: Transition costs as defined in Section 6.10

Ratc: Transition cost reconciliation adjustment - Account 175.46 balance, inclusive of the associated Account 175.46 interest, as outlined in section 6.12

A:TPvol: Annual forecasted throughput volumes inclusive of all sales and transportation throughput.

WCFtc: Per unit working capital allowable per billed annual throughput volume as defined in section 6.13.

WCAtc: Transition costs allowable for working capital application as defined in section 6.13.

WCRtc: Working capital reconciliation adjustment associated with transition cost charges - Account 142.46 balance as outlined in section 6.13.

CC: Weighted Cost of Capital as defined in section 6.10.

CD: Weighted Cost of Debt as defined in section 6.10.

TR: Combined Tax Rate as defined in section 6.10.

DL: Number of Days Lag from the purchase of gas from suppliers to the payment by customers.

**Annual NonFirm Transportation Credit Factor (NFT) Formulae:**

$$\textbf{NFT} = \frac{NFT + RAnft}{A{:}Tpvol}$$

and:

$$\textbf{WCFtc} = \frac{\dfrac{(WCAnft * CC) - (WCAnft * CD)}{(1 - TR)} + (WCAnft * CD) + WCRnft}{A{:}TPvol}$$

**Where:**

NFT: Nonfirm transportation margin as defined in section 6.10.

A:Tpvol: Annual forecasted throughput volumes inclusive of all sales and transportation throughput

RAnft: Nonfirm transportation capacity credit reconciliation adjustment - Account 175.42 balance, inclusive of the associated Account 175.42 interest, as outlined in section 6.12.

WCAnft: Transition costs allowable for working capital application as defined in section 6.13.

WCRnft: Working capital reconciliation adjustment associated with transition cost charges - Account 142.42 balance as outlined in section 6. 13.

CC: Weighted Cost of Capital as defined in section 6.10.

CD: Weighted Cost of Debt as defined in section 6.10.

TR: Combined Tax Rate as defined in section 6.10.

DL: Number of Days Lag from the purchase of gas from suppliers to the payment by customers.

**Annual Balancing Penalty Credit Factor (BPC) Formulae:**

$$\textbf{BPC} = \frac{BPR}{A{:}Tpvol}$$

**Where:**

BPR: Balancing Penalty Revenues as defined in section 6.10.

A:Tpvol: Annual forecasted throughput volumes inclusive of all sales and transportation throughput

**Remediation Adjustment Factor (RAF) Formulae**

$$RAF_{w,x,y} = \frac{sum(ERC/7) - DTB + ((I.E. - IR) * .5) + Rrac}{A{:}TPvol}$$

and:

$$DTB = UERC * TR * (CD + (CE / (1 - TR)))$$

**Where:**

RAF: Remediation adjustment factor.

ERC: Environmental response costs as defined in Section 6.10.

UERC: Unamortized environmental response costs.

DTB: Deferred tax benefit associated with environmental response costs as defined in section 6.10.

I.E.: Expenses associated with pursuit of insurance carriers and third-parties as defined in section 6.10.

IR: Insurance carrier and third-party recoveries as defined in section 6.10.

Rrac: Remediation Adjustment Clause reconciliation adjustment - Account 175.9 balance as outlined in Section 6.12.

A:Tpvol: Annual forecasted billed through-put volumes inclusive of sales and transportation.

w: Applicable to Rate Tariffs M.D.T.E. Nos. 101-199

x: Applicable to Rate Tariffs M.D.T.E. Nos. 201-299

y: Applicable to Rate Tariffs M.D.T.E. Nos. 301-399

**Unbundling Costs Factor (UCF) Formulae:**

$$\mathbf{UCF} = \frac{\mathbf{UC + RAuc + WCFuc}}{\mathbf{A{:}Tpvol}}$$

**And:**

$$\text{WCFuc} = \frac{\frac{(\text{WCAuc} * \text{CC}) - (\text{WCAuc} * \text{CD})}{(1 - \text{TR})} + (\text{WCAuc} * \text{CD}) + \text{WCRuc}}{\text{A:TPvol}}$$

and:

$$\text{WCAuc} = \text{UC} * (\text{DL}/365)$$

**Where:**

UC: Unbundling costs as defined in Section 6.10.

RAuc Unbundling cost reconciliation adjustment - Account 175.66 balance, inclusive of the associated Account 175.66 interest, as outlined in section 6.12.

A:TPvol Annual forecasted throughput volumes inclusive of all sales and transportation throughput.

WCFuc Per unit working capital allowable per billed annual throughput volume as defined in section 6.13.

WCAuc Unbundling costs allowable for working capital application as defined in section 6.13.

WCRuc Working capital reconciliation adjustment associated with unbundling cost charges - Account 142.66 balance as outlined in section 6.13.

CC Weighted Cost of Capital as defined in section 6.10.

CD Weighted Cost of Debt as defined in section 6.10.

TR Combined Tax Rate as defined in section 6.10.

DL: Number of Days Lag from the purchase of gas from suppliers to the payment by customers.

**Pension and Post-Retirement Benefits Other than Pensions Reconciliation Adjustment Factor (PRAF) Formula**

$$PRAF_{xt} = \frac{(PEXP + PBOBEXP + APDA + RA_t + cc(URD_t + APPA_t + APBOP - DTA_t) + PPRA_t)}{A{:}Tpvol}$$

**Where:**

PRAF = The annual Pension/PBOP Reconciliation Adjustment Factor.

PEXP = The amount of Pension Expense to be recovered through the LDAC as allowed by the Department in Boston Gas Company's most recent rate case.

PBOPEXP = The amount of PBOP Expense to be recovered through the LDAC as allowed by the Department in Boston Gas Company's most recent rate case.

APDA = The Accumulated PBOP Deferral Amortization is the amount of Boston Gas Company's unamortized PBOP transition obligation outstanding on December 31, YEAR t, amortized over a THREE year period. The APDA will be a fixed amount recovered over a THREE-year period beginning on November 1, YEAR t+1 and ending on October 31, YEAR t+3.

$RA_t$ = The Reconciliation Adjustment for $Year_t$ is one-third of the Unamortized PENSION Reconciliation Deferral at the end of the Prior Year.

cc = The Cost of Capital is the tax-effected weighted-average cost of capital as defined in Section 6.10.

$URD_t$ = The Unamortized Reconciliation Deferral Pension is the amount of the Pension Reconciliation Deferral not yet included in distribution rates. At the beginning of $Year_t$ the Unamortized Reconciliation Deferral is the sum of: (1) the Unamortized Reconciliation Deferral at the beginning of the Prior Year; plus (2) the Reconciliation Deferral for the Prior Year; minus (3) the Reconciliation Adjustment for the Prior Year.

$APPA_t$ = The Average Pre-Paid Amount, for $Year_t$ is one half of the sum of: (1) the Pre-Paid Amount recorded on Boston Gas Company's books as of the beginning of the Prior Year; and (2) the Pre-Paid Amount recorded on Boston GasCompany's books as of the end of the Prior Year.

APBOP = The unamortized Reconiliation Deferral not yet included in distribution rates. At the beginning of Yearx the Unamortized Reconciliatio n Deferral is the sum of: (1) the Unamortized Reconciliation Deferral at the beginning ofthe Prior Year; plus (2) the Reconciliation Deferral for the Prior Year;minus (3) the Reconciliation Adjustment for the Prior Year.

$DTA_t$ = The Deferred Tax Amount is the deferred taxes associated with the Pre-Paid Amount and the URD at the end of the Prior Year.

$PPRA_t$ = The Past Period Reconciliation Amount is the difference between: (1) the amount of PRAF revenue that should have been collected in the Prior Year; and (2) the amount of PRAF revenue actually received by Boston GasCompany in the Prior Year.

A:Tpvol = Annual forecasted throughput volumes inclusive of all sales and transportation throughput.

x = Applicable to Rate Tariff M.D.T.E. Nos. 101 - 199

t = The current year.

**Exogenous Cost / Lost Margin Factor (ECLMF)**

The ECFLMF shall be calculated according to the following formula:

For Rate Tariffs M.D.T.E. Nos. 301 – 399 and 401 - 499

$$ECLMFi_{y,z} = \frac{ECi + LMi + ECLMRAi}{A:TPvoli}$$

**Where:**

i: The residential or commercial/industrial sector

ECi: Exogenous costs for the residential and commercial/industrial sector

LMi: Lost Margins for the residential and commercial/industrial sector

ECLMRAi: Annual Exogenous Cost/Lost Margin Reconciliation Adjustment - Account 175.34 and 175.yy balances, inclusive of the associated interest, as outlined in Section 6.13

A:TPvoli: Annual forecasted throughput volumes inclusive of all sales and transportation throughput.

y: Applicable to Rate Tariffs M.D.T.E. Nos. 301-399

z: Applicable to Rate Tariffs M.D.T.E. Nos. 401-499

**6.12 Reconciliation Adjustments – Accounts 175**

(1) The Following definitions pertain to reconciliation adjustment calculations:

(a) Demand Side Management Costs Allowable Per Annual Residential DSM Formula shall be:
   i. Charges associated with Residential DSM programs designed to reduce annual load for each sector (DSMi).
   ii. Incentives associated with Residential DSM programs (DSMINi).
   iii. Account 175.22 - Annual Residential DSM, interest charges.

(b) Demand Side Management Costs Allowable Per Annual Commercial and Industrial DSM Formula shall be:
   i. Charges associated with C&I DSM programs designed to reduce annual load for each sector (DSMi).
   ii. Incentives associated with C&I DSM programs (DSMINi).
   iii. Account 175.26 – Annual C&I DSM, interest charges.

(c) Demand Side Management Costs Allowable Per Annual Low Income DSM Formula shall be:
   i. Charges associated with Low Income DSM programs designed to reduce annual load (LIDSM)
   ii Incentives associated with Low Income DSM programs (LIDSMIN).
   iii. Account 175.31 - Annual Low Income DSM interest charges.

(d) Transition Costs Allowable shall be:
   i. The costs as defined and approved by the FERC, including (1) gas supply realignment or GSR costs; (2) stranded costs, and; (3) new facilities costs (TC).
   ii. Account 175.46 – Annual Transition Costs interest charges

(e) Unbundling Costs Allowable Per Annual Unbundling Formula shall be:
  i. Costs associated with the Massachusetts Unbundling Collaborative.
  ii. Account 175.66 - Annual Unbundling Costs interest charges.

(f) Nonfirm Transportation Capacity Credits Allowable Per Annual Nonfirm Transportation Formula shall be:
  i. Credits associated with nonfirm transportation capacity credits not included in base rates.
  ii. Account 175.42 - Annual Nonfirm transportation capacity credit interest charges.

(g) Remediation Adjustment Clause Expenses Allowable shall be:
  i. One seventh of each calendar year's environmental response costs (ERC) as defined in section 6.10, less the deferred tax benefit (DTB) as defined in section 6.10.
  ii. One-half of insurance and third-party expenses (I.E.), less one-half of insurance and third-party recoveries.

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(h) Pension Adjustment Clause Expences Allowable Shall be:
  i. Costs associated with Boston GasCompany's Pension Plan
  ii. Costs associated with Boston GasCompany's Post-Retirement Plan Other Than Pension Plan
  iii. Account 175.35 annual pension interest costs

(i) Exogenous Cost and Lost Margin Expenses Allowable shall be:
  i. Costs identified as Exogenous costs in accordance with DTE 98-128
  ii. Costs associated with Colonial Gas Company's lost margin
  iii. Account 175.34 annual exogenous cost and lost margin interest costs

(2) Calculation of the Reconciliation Adjustments

Account 175 contains the accumulated difference between annual costs and revenues for residential DSM (Account 175.22), annual commercial and industrial DSM (Account 175.26), annual Low Income DSM (175.31), Transition Cost (175.46), Nonfirm Transportation Capacity Credits (175.42), Unbundling Costs (Account 175.66), Pension and PBOP Costs (175.35), annual Exogenous Cost and Lost Margin (175.yy) and manufactured gas remediation (Account 175.9). Account 175.22 shall contain the accumulated difference between revenues toward residential DSM costs as calculated by multiplying the annual residential DSM factor times monthly residential throughput volumes. Account 175.26 shall contain the accumulated difference between revenues toward commercial and industrial DSM costs as calculated by multiplying the annual commercial and industrial DSM factor times monthly commercial and industrial throughput volumes each month. Account 175.31 shall contain the accumulated difference between revenues toward Low Income DSM costs as calculated by multiplying the annual Low Income DSM factor times total monthly throughput volumes. Account 175.46 shall contain the accumulated difference between revenues toward transition costs as calculated by multiplying the transition cost factor times monthly firm throughput volumes and transition costs allowed. Account 175.42 shall contain the accumulated difference between credits from nonfirm transportation capacity as calculated by multiplying the nonfirm transportation capacity credit factor times monthly firm throughput volumes and nonfirm transportation capacity credits allowed. Account 175.66 shall contain the accumulated difference between revenues toward unbundling costs as calculated by multiplying the unbundling cost factor times monthly firm throughput volumes and unbundling costs allowed. Account 175.9 shall contain the accumulated difference between revenues toward environmental response costs as calculated by multiplying the RAF times monthly firm through put volumes and environmental response costs allowable per formula. Account 175.35 shall be the cumulative difference between the revenue toward the pension and PBOP costs as calculated by multiplying the Pension and PBOP Reconciliation Adjustment Factor times monthly firm throughput volumes and the total Pension and PBOP reconciliation expense amounts booked by Boston Gas Company in the Prior Year in accordance with the requirements of SFAS 87 and SFAS 106. Account 175.yy shall contain the accumulated difference between revenues toward Exogenous Cost and Lost Margins as calculated by multiplying the annual Exogenous Cost/Lost Margin factor times monthly throughput volumes.

The annual residential DSM reconciliation adjustment (DSMRAi - as defined in Section 6.11) shall be determined for use in the annual residential LDAF calculations incorporating the annual residential DSM account (175.22) balance as of the annual reconciliation date as designated by the Company. The-annual commercial and industrial DSM reconciliation adjustment (DSMRAi - as defined in Section **6.11**) shall be determined for use in the annual commercial and industrial LDAF calculations incorporating the annual commercial and industrial DSM account (175.26) balance as of the annual reconciliation date as designated by the Company. The Low Income DSM reconciliation adjustment (LIDSMRA - as defined in Section **6.11**) shall be determined for use in the annual residential and commercial/industrial LDAF calculations incorporating the annual Low Income DSM account (175.31) balance as of the annual reconciliation date as designated by the Company. The transition cost reconciliation adjustment (RAtc - as defined in Section 6.11) shall be determined for use in the annual LDAF calculations incorporating the transition cost account (175.46) balance as of the annual reconciliation date as designated by the Company. The unbundling cost reconciliation adjustment (RAuc - as defined in Section 6.11) shall be determined for use in the annual LDAF calculations incorporating the unbundling cost account (175.66) balance as of the annual reconciliation date as designated by the Company. The nonfirm transportation capacity credit reconciliation adjustment (RAnft - as defined in Section 6.11) shall be determined for use in the annual LDAF calculations incorporating the nonfirm transportation capacity credit account (175.42) balance as of the annual reconciliation date as designated by the Company. A RAC reconciliation adjustment (Rrac - as defined in Section **6.11**) shall be determined for use in the RAC calculations incorporating the RAC account (175.9) balance as of the annual RAC reconciliation date. The Pension and PBOB reconciliation adjustment ($PPRA_t$ - as defined in Section 6.11) shall be determined for use in the annual LDAF calculations incorporating the Pension and PBOB account (175.35) balance as of the annual reconciliation date as designated by Boston GasCompany. The Exogenous Cost and Lost Margin reconciliation adjustment (ECLMRAi - as defined in Section 6.11) shall be determined for use in the annual LDAF calculations incorporating the exogenous costs and lost margin account (175.yy) balance as of the annual reconciliation date as designated by the Company.

(3) Calculation of the RAF

The RAF consists of one-seventh of the actual environmental response costs incurred by Boston GasCompany, Essex Gas Company and Colonial Gas Company, respectively, in any calendar year for each year until fully amortized, less a deferred tax benefit, plus one-half of insurance and third party expenses for the calendar year, less one-half of insurance and third party recoveries for the calendar year, plus the prior year's RAF reconciliation adjustment. This amount is then divided by Boston GasCompany's, Essex Gas Company's and Colonial Gas Company's respective forecast of total firm throughput volumes for the upcoming year.

The deferred tax benefit is calculated by (1) applying the combined state and federal tax rates to Boston Gas Company's, Essex Gas Company's and Colonial Gas Company's, respective, unamortized environmental response costs to arrive at the deferred tax. (2) The deferred tax is then multiplied by the tax adjusted cost of capital, calculated by dividing the weighted cost of equity by one minus the tax rate and adding it to the weighted cost of debt, to arrive at the deferred tax benefit.

## 6.13 Reconciliation Adjustments - Account 142 – Working Capital

(1) The following definitions pertain to reconciliation adjustment calculations:

(a) Working Capital Gas Costs Allowable Per Annual Residential DSM Formula shall be:

i. Charges associated with residential DSM programs designed to reduce annual load (DSMi).

ii. Account 142.22 interest charges.

(b) Working Capital Gas Costs Allowable Per Annual commercial and industrial DSM Formula shall be:

i. Charges associated with commercial and industrial DSM programs designed to reduce annual load (DSMi),

ii. Account 142.26 interest charges.

(c) Working Capital Gas Costs Allowable Per Annual Low Income DSM Formula shall be:

i. Charges associated with residential DSM programs designed to reduce annual load (LIDSM).ii.Account 142.31 interest charges.

(d) Working Capital Gas Costs Allowable Per Annual Nonfirm Transportation Capacity Credit Formula shall be:

i. Credits associated with nonfirm transportation capacity credits non included n base rates.

ii. Account 142.42 interest charges

(e) Working Capital Costs Allowable Per Transition Cost Formula shall be:

i The transition charges defined and approved by the FERC, including (1) gas supply realignment or GSR costs;
(2) stranded costs, and;
(3) new facilities cost

ii. Account 142.46 interest charges.

(f) Working Capital Costs Allowable Per Unbundling Cost Formula shall be :
i. Costs associated with Massachusetts Unbundling Collaborative.
ii. Account 142.66 interest charges.

(2) The annual transition cost, unbundling costs, nonfirm transportation capacity credit, residential DSM and commercial and industrial DSM working capital requirements shall be calculated by applying the Company's days lag divided by 365 days to the working capital costs allowable per each formula defined above.

(3) The annual transition cost, unbundling costs, nonfirm capacity credit, residential DSM, and commercial and industrial DSM working capital allowances shall each be calculated by applying the Company's weighted cost of capital to each working capital requirement (2) to calculate the respective returns on working capital. The interest portion of each working capital allowance is calculated by multiplying each working capital requirement (2) by the weighted cost of debt. This portion is tax deductible. The return on each working capital less the interest portion of each working capital is then divided by one minus the tax rate. This figure plus the interest calculated above equals the working capital allowance for each.

(4) Calculation of the Reconciliation Adjustments
Accounts 142.22, 142.26, 142.31, 142.42 ,142.46 and 142.66 contain the accumulated difference between working capital allowance revenues and the actual monthly working capital allowance costs as calculated from actual monthly costs for the Company. Each Account 142 shall contain the accumulated difference between revenues toward the working capital allowance and the working capital allowance.

An annual residential DSM working capital reconciliation adjustment (DSMWCRi - as defined in Section 6.11) shall be determined for use in the annual residential DSM factor calculations incorporating the annual residential DSM working capital account (142.22) balance as of the annual reconciliation date designated by the Company. An annual commercial and industrial DSM working capital reconciliation adjustment (DSMWCRi - as defined in Section 6.11) shall be determined for use in the annual commercial and industrial DSM factor calculations incorporating the annual commercial and industrial DSM working capital account (142.26) balance as of the annual reconciliation date designated by the Company. An annual Low Income DSM working capital reconciliation adjustment (LIDSMWCR - as defined in Section 6.11) shall be determined for use in the off-annual residential DSM factor calculations incorporating the annual Low Income DSM working capital account (142.31) balance as of the annual reconciliation date designated by the Company. A transition cost working capital reconciliation adjustment (WCRtc - as defined in Section 6.11) shall be determined for use in the transition cost factor calculations incorporating the transition cost working capital account (142.46) balance as of the annual reconciliation date designated by the Company. A nonfirm transportation capacity credit working capital reconciliation adjustment (WCRnft - as defined in Section 6.11) shall be determined for use in the nonfirm transportation capacity credit factor calculations incorporating the nonfirm transportation capacity credit working capital account (142.42) balance as of the annual reconciliation date designated by the Company. An unbundling cost working capital reconciliation adjustment (WCRuc - as defined in ~~175.80 balance as of a~~Section 6.11) shall be determined for use in the unbundling cost factor calculations incorporating the unbundling cost working capital account (142.66) balance as of the annual reconciliation date designated by the Company.

~~(D) Unbundling Costs~~

~~Account 175.91 shall contain the accumulated difference between the Unbundling costs allowable per the UCF formula and the revenue toward Unbundling Costs as calculated by multiplying the UCF times firm throughput volumes. The UCF Reconciliation Adjustment shall be taken as the Account 175.91 balance as of a reconciliation date designated by the Company.~~

~~(E)Exogenous Costs~~

**~~Account 175.96 shall contain the accumulated difference between the Exogenous costs allowable per the ECF formula and the revenue toward Exogenous Costs as calculated by multiplying the ECF times firm throughput volumes. The ECF Reconciliation Adjustment shall be taken as the Account 175.96 balance as of a reconciliation date designated by the Company.~~**

~~(F)Non-Firm Distribution Margins~~

**~~Account 175.42 shall contain the accumulated difference between the credits toward Non-Firm Distribution Margins as calculated by multiplying the NFCF times firm throughput volumes and the Non-Firm Distribution Margins allowable per the NFCF formula. The NFCF Reconciliation Adjustment shall be taken as the Account 175.42 balance as of a reconciliation date designated by the Company.~~**

~~(G) Working Capital Costs - Transition Costs~~

~~[Account 175.90] shall contain the accumulated difference between the Transition Cost Working Capital Allowance and the Revenue toward the Transition Cost Working Capital Allowance. The Transition Cost Working Reconciliation Adjustment shall be taken as the [Account 175.90] balance as of a reconciliation date as designated by Colonial.~~

~~6.11 Effective Date of Local Distribution Adjustment Factor~~

~~The date on which the semi-annual Local Distribution Adjustment Factors ("LDAF") become effective will be May 1st and November 1st of each year.~~

~~6.12 Application of LDAF to Bills~~

~~The LDAF will be applied to the monthly firm throughput volumes for each Customer in a Rate Category. The semi-annual LDAF for each Rate Category shall be calculated to the nearest hundredth of a cent per Ccf.~~

## 6.14 Application of the LDAF to Bills

The Company will employ the LDAFs as follows:

For all customers, the annual rates to customers shall be calculated by adding the annual Transition Cost Factor, Remediation Adjustment Factor, the NonFirm Transportation Credit Factor, the Unbundling Cost Factor, the Balancing Penalty Credit Factor), the Pension/PBOP Reconciliation Adjustment Factor, the Exogenous Cost/Lost Margin Factor, the Low Income DSM Factor, and the Sector Specific DSM factor for each sector. The annual LDAFs ($/therm) for each sector shall be calculated to the nearest hundredth of a cent per unit and will be applied to each customer's monthly sales volumes.

## ~~6.13 Information~~6.15 Information Required to be Filed with the Department

Information pertaining to the ~~LDAF~~local distribution factor adjustment shall be filed with the Department in accordance with the standardized forms approved by the Department. Required filings include a monthly report which shall be submitted to the Department on the twentieth of each month, and a annual LDAF filing which shall be submitted to the Department at least 45 days before the date on which ~~the~~a new LDAF is to be effective, and an annual RAC filing which shall be submitted to the Department at least 90 days before the date on which the new LDAF is to be effective.

~~The annual RAC filing will include copies of all bills relating to any environmental response costs and expenses related to insurance and third-party recoveries incurred in the preceding calendar year. The annual RAC reconciliation shall be submitted with each Off-Peak Season LDAF filing along with documentation of the RAC reconciliation adjustment calculations.~~

Additionally, the Company shall file with the Department a complete list by (sub)account of all local distribution costs claimed as recoverable through the LDAC over the previous year, as included in the annual reconciliation. This information shall be submitted with ~~the Peak Season~~each annual LDAF filing, along with complete documentation of the reconciliation adjustment calculations.

## ~~6.14~~6.16 Other Rules

~~The Department may,~~(1) The Department may where appropriate, on petition or on its own motion, grant an exception from the provisions of ~~the applicable regulations and this rate schedule,~~these regulations, upon such terms that it may determine to be in the public interest.

~~At any time, the Department mayrequire the Company tofile, or the Company may~~(2) The Company may, at any time, file with the Department~~,~~ an amended LDAF. ~~Said~~An amended LDAF filing must be submitted ~~at least ten (10) days before the proposed effective date of the amended LDAF.~~10 days before the first billing cycle of the month in which it is proposed to take effect.

(3) The Department may at any time require the Company to file an amended LDAF.

(4) The operation of ~~this rate schedule~~the Local Distribution adjustment clause is subject to all powers of suspension and investigation vested in the Department by ~~Chapter 164 of the General Laws of the Commonwealth of Massachusetts.~~G.L. c. 164.

~~6.15 Customer Notification~~

## 6.17 Customer Notification

The Company will ~~design a notice which explains in simple terms to customers the LDAF, the nature of any change in the LDAF,~~notify customers in simple terms of changes to the LDAF, including the nature of the change and the manner in which the LDAF is applied to the bill. ~~The~~In the absence of a standard format, the Company will submit this notice for approval at the time of each LDAF filing. Upon approval by the Department, the Company ~~shall~~must immediately distribute these notices to all of its customers either through direct mail or with its bills.

**AMENDMENTS TO**
**UNIFORM SYSTEM OF ACCOUNTS FOR GAS COMPANIES**

175.22 Annual Residential DSM Reconciliation Adjustment for LDAC
This account shall be used to record the cumulative difference between annual residential DSM revenues and annual residential DSM costs. Entries to this account shall be determined as outlined in the Local Distribution Adjustment Clause, 220 C.M.R. 6.10.

175.26 Annual Commercial and Industrial DSM Reconciliation Adjustment for LDAC
This account shall be used to record the cumulative difference between annual commercial and industrial DSM revenues and annual commercial and industrial DSM costs. Entries to this account shall be determined as outlined in the Local Distribution Adjustment Clause, 220 C.M.R. 6.10.

175.31 Annual Low Income DSM Reconciliation Adjustment for LDAC
This account shall be used to record the cumulative difference between annual Low Income DSM revenues and annual Low Income DSM costs. Entries to this account shall be determined as outlined in the Local Distribution Adjustment Clause, 220 C.M.R. 6.10.

175.35 Pension/PBOP Cost Reconciliation Adjustment for LDAC
This account shall be used to record the cumulative difference between Pension/PBOP revenues and Pension/PBOP costs. Entries to this account shall be determined as outlined in the Local Distribution Adjustment Clause, 220 C.M.R. 6.10.

175.36 Exogenous Cost/Lost Margin Reconciliation Adjustment for LDAC
This account shall be used to record the cumulative difference between Exogenous Cost and Lost Margin revenues and costs. Entries to this account shall be determined as outlined in the Local Distribution Adjustment Clause, 220 C.M.R. 6.10.

175.42 Annual Nonfirm Transportation Capacity Credit for LDAC
This account shall be used to record the cumulative difference between annual Nonfirm Transportation Capacity Credit refunds and annual Nonfirm Transportation Capacity Credits allowable. Entries to this account shall be determined as outlined in the Local Distribution Adjustment Clause, 220 C.M.R. 6.10.



Issued by N. Stavropoulos, President
52 Second Avenue, Waltham, MA 02451

175.46 Transition Cost Reconciliation Adjustment for LDAF
This account shall be used to record the cumulative difference between FERC 636 transition cost revenues and FERC 636 transition costs. Entries to this account shall be determined as outlined in the Local Distribution Adjustment Clause, 220 C.M.R. 6.10.

175.66 Unbundling Cost Reconciliation Adjustment for LDAF
This account shall be used to record the cumulative difference between Unbundling revenues and Unbundling costs. Entries to this account shall be determined as outlined in the Local Distribution Adjustment Clause, 220 C.M.R. 6.10.

175.9 Environmental Response Reconciliation Adjustment for LDAC
This account shall be used to record the cumulative difference between RAC revenues and RAC costs. Entries to this account shall be determined as outlined in the Local Distribution Adjustment Clause, 220 C.M.R. 6.10.

142.22 Annual Residential DSM Working Capital Allowance Reconciliation Adjustment for LDAC.
This account shall be used to record the cumulative difference between annual residential DSM working capital allowance revenues and annual residential DSM working capital allowance. Entries to this account shall be determined as outlined in the Local Distribution Adjustment Clause, 220 C.M.R. 6.

142.26 Annual Commercial and Industrial DSM Working Capital Allowance Reconciliation Adjustment for LDAC
This account shall be used to record the cumulative difference between annual commercial and industrial DSM working capital allowance revenues and annual commercial and industrial DSM working capital allowance. Entries to this account shall be determined as outlined in the Local Distribution Adjustment Clause, 220 C.M.R. 6.11.

142.31 Annual Low Income DSM Working Capital Allowance Reconciliation Adjustment for LDAC
This account shall be used to record the cumulative difference between annual Low Income DSM working capital allowance revenues and annual Low Income DSM

working capital allowance. Entries to this account shall be determined as outlined in the Local Distribution Adjustment Clause, 220 C.M.R. 6.11.

142.42 Annual Nonfirm Transportation Capacity Credit Reconciliation Adjustment for LDAC
This account shall be used to record the cumulative difference between annual Nonfirm transportation capacity working capital allowance refunds and annual Nonfirm Transportation Capacity Credit working capital allowance. Entries to this account shall be determined as outlined in the Local Distribution Adjustment Clause, 220 C.M.R. 6.11.

142.46 Transition Cost Working Capital Allowance Reconciliation Adjustment for LDAF
This account shall be used to record the cumulative difference between transition cost working capital allowance revenues and transition cost working capital allowance. Entries to this account shall be determined as outlined in the Local Distribution Adjustment Clause, 220 C.M.R. 6.11.

142.66 Unbundling Cost Working Capital Allowance Reconciliation Adjustment for LDAF
This account shall be used to record the cumulative difference between unbundling cost working capital allowance revenues and unbundling cost working capital allowance. Entries to this account shall be determined as outlined in the Local Distribution Adjustment Clause, 220 C.M.R. 6.11